

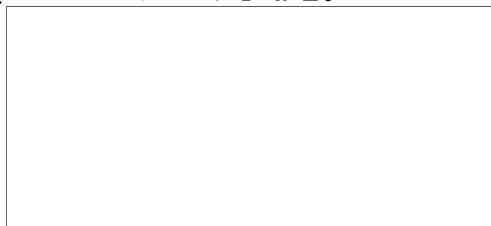
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4 April 1955

MEMORANDUM FOR THE RECORD

SUBJECT: Trip Report - Visit to Perkin-Elmer Corporation, Stamford, Connecticut Division, March 23, 1955, in connection with Contract Negotiation on Project "OCTROI" - Letter Contract SC-21-54

1. Subject visit was made in the company of [redacted] and [redacted]. Representatives of Perkin-Elmer Corporation contacted were Dr. Rod Scott, Chief Project Engineer, [redacted] Corporation Lawyer, and [redacted], Treasurer. 25X1
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2. Initial discussions were primarily on the technical aspects of the procurement, between [redacted], and the extent to which specifications were in a finalized state. The P & E portion of the procurement appeared to be reasonably well defined from that aspect, but the Hycon portion (sub-contract under the P & E prime contract) was still in somewhat of an unsettled state. However, it was agreed that the technical aspects were sufficiently well defined to proceed with firm negotiations on the definitive contract, and that as subsequent technical phases became defined, such phases could be added by amendment. 25X1
3. P & E had available a tentative cost breakdown of this phase of the procurement, as well as a proposal from Hycon on the subcontract. Such cost breakdown visualized a target cost of some \$1,600,000 on the P & E portion with a target profit of 12%. The subcontract, with Hycon's proposed profit of 12%, totaled some \$4,000,000. P & E proposed to also load a substantial profit for P & E onto the Hycon subcontract. In total, P & E visualized a profit of some \$600,000 for P & E on the total contract work.
4. After considerable discussion of the profit amount, with arguments presented by both sides as to factors which should effect profit, the Government representatives stated flatly that an amount for (1) P & E General and Administrative expense to handle the subcontract and (2) P & E requested profit on the subcontract, totaling some \$500,000, was not acceptable to the Government. The undersigned stated his belief that the actual G & A required (to be determined by audit) plus a profit of 2 % to 3% to P & E on the subcontract should be an adequate return to P & E.



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5. [] of P & E recalculated his figures and proposed what he called the best P & E could do. This visualized a 12% profit on the P & E portion (some \$1,600,000) and a 5% profit on the Hycon portion (some \$4,000,000). This new position visualized a profit to P & E (and savings to the Government) of somewhere between \$100,00 and \$200,000 - depending on what the final estimated price came out to be. The undersigned stated that he considered P & E profit of 12% at target amount still to be high and that the target profit should begin at 10%; likewise that 5% was considered a large profit by a prime on a sub when so little of P & E facilities and manpower would be involved, with little risk involved.

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6. However it was now late in the day and P & E was requested to document this proposal and send it through channels for review by project officials. No commitment was made as to the acceptability of the new proposal other than to state that it was nearer the Government's idea of what constituted a fair profit on this procurement. P & E representatives agreed to submit the proposal for review.

7. Conclusions: The original proposal by P & E of some \$600,000 to \$650,000 profit to P & E is absolutely unacceptable. The new proposal, limiting profit to some \$400,000, is still high but may be acceptable under the circumstances of this procurement. No action should be taken until a firm proposal is received from P & E, including a firm proposal on the subcontract, and another negotiation meeting held with P & E. Also involved is the result of the negotiation meeting between P & E and Hycon on the subcontract. When all the above information is available we will have a clearer understanding of the estimated cost, and profit, and a mutually agreeable contract can be negotiated.

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Contracting Officer

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